

SENATE BILL REPORT

ESHB 1260

As Reported By Senate Committee On:
Transportation, March 22, 2007

Title: An act relating to contribution rates in the Washington state patrol retirement system.

Brief Description: Establishing contribution rates in the Washington state patrol retirement system.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Conway, Crouse, Fromhold, Kenney, Ericks, Ormsby, Simpson and Moeller; by request of Select Committee on Pension Policy).

Brief History: Passed House: 3/09/07, 97-0.

Committee Activity: Transportation: 3/21/07, 3/22/07 [DPA].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended.

Signed by Senators Haugen, Chair; Murray, Vice Chair; Swecker, Ranking Minority Member; Benton, Berkey, Clements, Delvin, Eide, Holmquist, Kastama, Kilmer, Pflug, Sheldon and Spanel.

Staff: Dory Nicpon (786-7321)

Background: The Washington State Patrol Retirement System (WSPRS) covers all commissioned officers of the Washington State Patrol (WSP). Members of WSPRS may retire at age 55 or after 25 years of service at any age. It is the only retirement system operated by Washington with a mandatory retirement age, which is 60 years of age.

In 2001, the Legislature adopted ESB 5143, which made the following changes to WSPRS for members who joined the plan prior to January 1, 2003: (1) increased the annual cost of living adjustment (COLA) benefits of retirees and survivors from a 2 percent per year simple increase to a 3 percent per year compounded Consumer Price Index-based increase; (2) changed the employee contribution rate from a fixed 7 percent of pay to the greater of 2 percent or one-half of the total contribution rate required by the plan (with the state paying the other half); and (3) excluded voluntary overtime earned by members working for the Department of Transportation from the definition of salary.

ESB 5143 also changed provisions of WSPRS for members who became members after January 1, 2003. Some of the changes included: (1) changed the period used for calculating average final salary from two years to five years; (2) excluded annual and holiday pay cash-

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outs from calculation of average final salary; (3) changed military service credit provisions to permit only the purchase of up to five years of interruptive military service credit; and (4) eliminated an automatic post-retirement death benefit and replaced it with an optional, actuarially-reduced survivor benefit like that offered in Plans 2 and 3 of the state retirement systems.

The current funding policy for WSPRS calls for the total required contribution rate to be split evenly by employees and employers, except that: (1) there is a minimum contribution rate of 2 percent for employees; and (2) the survivor benefits for deceased members who were disabled prior to July 1, 2006, are funded exclusively through employer contributions. The employee and employer contribution rates for the 2005-07 fiscal biennium are both 4.51 percent. The contribution rates adopted by the Pension Funding Council (PFC) for the 2007-09 biennium are 6.70 percent for the employees and 7.75 percent for the employer.

Summary of Engrossed Substitute Bill: The bill as referred to committee not considered.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Transportation): The member contribution rate for WSPRS is reduced to the lesser of: one-half of the adjusted total contribution rate; or 7 percent plus 50 percent of the contribution rate increase caused by any benefit improvement effective on or after July 1, 2007. The employer contribution rate is the remainder of the required total contribution. After July 1, 2009, the total contribution rate in WSPRS may not drop below 70 percent of the system's normal cost as calculated under the entry age normal actuarial valuation method. The act is null and void unless SSB 5937 and SB 6129 are enacted by June 30, 2007.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony: PRO: This bill addresses an important recruitment and retention issue. It makes Washington State Patrol's retirement contribution rate competitive when compared to the contribution rates of other law enforcement agencies.

Persons Testifying: PRO: Captain Jeff DeVere, Washington State Patrol; Davor Gjurasic, Tommie Pillow, Washington State Troopers Association.